

## NATIONAL DAIRY MARKET AT A GLANCE

**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (3/14):**

**BUTTER:** Grade AA closed at \$1.0925. The weekly average for Grade AA is \$1.0925 (+.0050).

**CHEESE:** Barrels closed at \$1.0700 and blocks at \$1.0800. The weekly average for barrels is \$1.0580 (+.0320) and blocks, \$1.0800 (N.C.).

**NONFAT DRY MILK:** Extra Grade closed at \$0.8400 and Grade A at \$0.8400. The weekly average for Extra Grade is \$0.8400 (-.0040) and Grade A, \$0.8400 (-.0040).

**BUTTER:** Butter markets are firm price-wise, although weak supply/demand-wise. Producers and handlers have mixed opinions as to the direction of near term prices. Some feel that weakness will develop as the spring milk flush develops with supplies building and overall demand remaining fair at best. Another factor being voiced by producers for weak market conditions is that they anticipate CCC butter clearances to continue and possibly become heavier. On the other hand, some are indicating that they anticipate the price to continue to gain strength even though supplies are heavy and demand is slow. Churning activity across the country continues to be reported as strong and current output is surpassing demand. Cream supplies in the Eastern half of the country are less available than in past weeks. Demand for cream for Class II cream based products is seasonally increasing as producers prepare for the upcoming Easter/Passover holiday period. Ice cream production is also heavier as producers take advantage of available supplies at fairly competitive prices. Overall butter demand is fair at best. Some scattered retail feature activity is being planned for the upcoming holiday period, but orders are pointing to lighter features than in years past. Some buyers are stating that prices are more attractive at retail than in years past and lower prices are already moving more butter than usual for this time of the year.

**CHEESE:** The cheese market remains unsettled. Offerings continue to exceed current orders. Some improvement is noted where spring promotions are planned or in reaction to recent price increases. Processors expect that orders will pick up seasonally as grilling increases and demand improves related to vacation destinations. Clearances to CCC have increased, particularly barrels, with reports of additional volumes graded for eventual sale. Cheese production is seasonally heavy. Inventories remain heavy and continue to build at many locations.

**FLUID MILK:** Milk production is steady to higher throughout the country. In Florida, supplies are generally in balance, eliminating the need to export to manufacturing facilities in other states. In the Northeast, plant intakes are steady after recent weather related problems. In the Central and most of the Western region, milk production is trending higher. Parts of the West are seeing spring-like weather and cows have responded to the near ideal conditions. In the Pacific Northwest, heavy rains have caused localized flooding and have, at least temporarily, impacted some herds. Some schools are already out on spring break, reducing school milk demand in affected locations. School milk demand will be reduced at various locations over the next several weeks as other systems go on vacation. Manufacturing schedules are very active throughout the country. California continues to ship milk out of state for processing.

**DRY PRODUCTS:** Most recent powder market trends continue as manufacturing schedules increase seasonally. Production of NDM is seasonally heavy. Current demand

is fair at best and buyers feel no need to build additional inventories entering spring. CCC continues to purchase surplus volumes from all regions of the country. The buttermilk market is generally steady as increased ice cream use, particularly for condensed, is helping slow inventory growth. However, heavy butter churning still is causing more buttermilk than expected to enter dryers. The whey market is steady to weak. Heavier than desired current stocks have some sellers eliminating premiums to stimulate sales. Current interest is fair at best. Export interest seems to be improving. Prices of WPC are steady though feed interest is weaker. Current production is increasing seasonally. Export interest is light.

**CCC:** For the week of March 10 - 14, CCC purchased 846,240 net pounds of Western butter, 1,188,000 of Central process cheese, 41,600 pounds of Central and 1,415,958 pounds of Western barrel cheese, and 14,400,067 net pounds of NDM. Of the NDM total, 1,568,270 pounds were from the Central region, 11,921,483 pounds from the West, and 910,314 pounds from the East.

**MARCH MILK SUPPLY AND DEMAND ESTIMATES (ERS):** The milk production forecast for 2002/2003 is raised slightly from last month. The recent *Milk Production* report shows higher cow numbers year to date although growth in milk per cow continues to lag historical trends. However, there are indications of some faltering in the recovery in commercial use. Commercial stocks at the beginning of February remained large and are expected to continue to overhang the market. As product prices remain weak, Class prices are forecast lower than last month. The Class III price forecast is lowered to \$9.60-\$10.00 per cwt. and the Class IV price is forecast at \$9.75-\$10.35. The all milk price is expected to average \$11.10-\$11.50. The dairy price forecast incorporates changes in the Federal order minimum Class price formulas for milk marketed as of April 2003.

**DECEMBER MAILBOX MILK PRICES (AMS & CDFA):** In December 2002, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$11.69 per cwt., \$0.06 less than the figure for the previous month. Most of this month-to-month decrease results from lower Federal milk order minimum producer milk prices. The component tests of producer milk in December 2002 were: butterfat, 3.79%; protein, 3.09%; and other solids, 5.69%. On an individual reporting area basis, mailbox prices decreased in all reporting areas except four, and ranged from \$14.92 in Florida to \$10.37 in Utah. In December 2001, the Federal milk order all-area average mailbox price was \$13.21, \$1.52 higher.

**JANUARY FLUID MILK SALES (AMS & CDFA):** During January, about 4.9 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 1.4% higher than January 2002. After adjusting for calendar composition, sales in January 2003 were 0.8% higher than January 2002. On an individual product basis, after adjusting for calendar composition, sales of whole milk, reduced fat (2%) milk, low fat (1%) milk, and flavored fat-reduced milk would have likely increased from January 2002, while sales of flavored whole milk, fat-free (skim) milk, and buttermilk would have likely decreased from a year earlier.

\*\*\*\*SPECIAL THIS ISSUE\*\*\*\*

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**CHICAGO MERCANTILE EXCHANGE  
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY MARCH 10	TUESDAY MARCH 11	WEDNESDAY MARCH 12	THURSDAY MARCH 13	FRIDAY MARCH 14	WEEKLY CHANGE*	WEEKLY AVERAGE
CHEESE BARRELS	\$1.0400 (+.0100)	\$1.0500 (+.0100)	\$1.0600 (+.0100)	\$1.0700 (+.0100)	\$1.0700 (N.C.)	+.0400	\$1.0580 (+.0320)
40# BLOCKS	\$1.0800 (N.C.)	\$1.0800 (N.C.)	\$1.0800 (N.C.)	\$1.0800 (N.C.)	\$1.0800 (N.C.)	N.C.	\$1.0800 (N.C.)
NONFAT DRY MILK EXTRA GRADE	\$.8400 (N.C.)	\$.8400 (N.C.)	\$.8400 (N.C.)	\$.8400 (N.C.)	\$.8400 (N.C.)	N.C.	\$.8400 (-.0040)
GRADE A	\$.8400 (N.C.)	\$.8400 (N.C.)	\$.8400 (N.C.)	\$.8400 (N.C.)	\$.8400 (N.C.)	N.C.	\$.8400 (-.0040)
BUTTER GRADE AA	\$1.0875 (N.C.)	-----	\$1.0975 (+.0100)	-----	\$1.0925 (-.0050)	+.0050	\$1.0925 (+.0050)

\*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at [WWW.AMS.USDA.GOV/MARKETNEWS.HTM](http://WWW.AMS.USDA.GOV/MARKETNEWS.HTM)

**CHICAGO MERCANTILE EXCHANGE**

MONDAY, MARCH 10, 2003

CHEESE — SALES: 4 CARS 40# BLOCKS: 1 @ \$1.0775, 1 @ \$1.0800, 1 @ \$1.0775, 1 @ \$1.0800; BIDS UNFILLED: 1 CAR BARRELS @ \$1.0400; OFFERS UNCOVERED: 2 CARS 40# BLOCKS: 1 @ \$1.0800, 1 @ \$1.1100

NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER — SALES: NONE; BIDS UNFILLED: 2 CARS GRADE AA @ \$1.0500; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.0875

TUESDAY, MARCH 11, 2003

CHEESE — SALES: 1 CAR BARRELS @ \$1.0500; 2 CARS 40# BLOCKS: 1 @ \$1.0775, 1 @ \$1.0800; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS 40# BLOCKS: 1 @ \$1.0800, 1 @ \$1.0900

NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, MARCH 12, 2003

CHEESE — SALES: 1 CAR BARRELS @ \$1.0600; 8 CARS 40# BLOCKS: 1 @ \$1.0775, 1 @ \$1.0800, 1 @ \$1.0775, 1 @ \$1.0800, 1 @ \$1.0775, 1 @ \$1.0800, 1 @ \$1.0775, 1 @ \$1.0800; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.0600; 1 CAR 40# BLOCKS @ \$1.0800

NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER — SALES: 3 CARS GRADE AA: 1 @ \$1.0875, 1 @ \$1.0950, 1 @ \$1.0975; BIDS UNFILLED: 26 CARS GRADE AA: 1 @ \$1.0975, 1 @ \$1.0950, 2 @ \$1.0925, 2 @ \$1.0900, 5 @ \$1.0875, 5 @ \$1.0825, 4 @ \$1.0775, 1 @ \$1.0750, 3 @ \$1.0725, 2 @ \$1.0650; OFFERS UNCOVERED: NONE

THURSDAY, MARCH 13, 2003

CHEESE — SALES: 2 CARS BARRELS: 1 @ \$1.0600, 1 @ \$1.0700; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.0800; 3 CARS 40# BLOCKS: 2 @ \$1.0800, 1 @ \$1.1000

NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, MARCH 14, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR BARRELS @ \$0.9900; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.0700; 3 CARS 40# BLOCKS: 1 @ \$1.0800, 1 @ \$1.0900, 1 @ \$1.1000

NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER — SALES: 9 CARS GRADE AA: 3 @ \$1.1000, 1 @ \$1.0975, 1 @ \$1.1000, 1 @ \$1.0950, 1 @ \$1.0925, 1 @ \$1.0925; BIDS UNFILLED: 5 CARS GRADE AA: 1 @ \$1.0900, 1 @ \$1.0800, 2 @ \$1.0750, 1 @ \$1.0650; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.1500

**BUTTER MARKETS****NORTHEAST**

The butter market tone is unsettled. However, the price of AA butter at the CME (through 3/10) has increased two out of the last four trading sessions. Churning activity was lighter last week as cream supplies in the East were in better balance than they had been. Butter supplies are more than ample for current needs and some contacts wonder why prices moved steadily higher during the past two weeks. Some feel that the CME trading rules regarding date of production were enough to boost prices early in March. Commercial butter demand is slow to fair. As in recent weeks, most buyers continue to place orders for short term needs. Sales of bulk butter, f.o.b. East, are reported in a range of flat market to 4 cents over the CME price/average.

**CENTRAL**

The cash butter price continues to firm at the CME, although most producers and handlers state that sales are slow and stocks are building. Churning activity remains seasonally strong, although the surplus cream offerings of recent weeks from Eastern sources are much lighter. Demand for cream for Class II uses is the main reason for less offerings to Central butter producers. Although this outside source is lighter, Central butter producers continue to indicate that local supplies and contracted volumes from Western sources continue to provide sufficient volumes to maintain full production schedules. Central butter producers did indicate that cream supplies from both local and out of area sources are increasing in price due to increasing multiples and base prices. Stocks continue to run more than double of last year at this time. Overall demand continues to center around short term or immediate needs. Some buyers are now questioning, with recent firmness in CME prices, if they should increase their orders to hedge against future price increases

or hold off. Some scattered retail feature activity is being planned for the upcoming Easter/Passover holiday. Food service orders are somewhat heavier but still remain fair at best. Bulk butter for spot sale is in a range of flat to 2 cents per pound over various pricing basis.

**WEST**

Butter prices increased sharply at the CME cash market for the first week in March. The trade believes the strength was related to the age of butter that can be offered on the Exchange issue. Contacts don't believe that a further increase is likely at this time and that prices could actually decline again. This thinking is based on the continued very heavy production and stocks double a year ago. Some discussion is taking place around orders for the current Lenten season and the upcoming Easter weekend. So far there doesn't seem to be much reason to believe that sales will surge based on the preliminary plans. Bulk and print butter are readily available for any features or specials that would be established. The DEIP butter stage that was announced has been filled (5000 MT) with most of it moving as anhydrous milkfat. Butter that is too old to offer on the Exchange would be eligible for this program. Therefore, most contacts don't think that it will have much impact on current markets. CME weekly butter stocks grew by 3.7 million pounds this past week and now stand at 154.5 million pounds. Stocks have grown by about 65 million pounds during the first ten weeks of the year. This is just about the same amount that stocks grew in the same period of 2002. The problem is that last year the total was 86.3 million pounds at the end of week ten compared to 154.5 million pounds this year. Current prices for bulk butter range from 3 1/4 cents under to flat market based on the CME with various time frames and averages (includes CCC sales when applicable).

**NASS DAIRY PRODUCT PRICES****U.S. AVERAGES AND TOTAL POUNDS**

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
MAR 8	1.0610	1.0447	0.8065	1.0307	0.1619
	8,254,753	12,046,639	27,564,914	3,383,991	14,517,610

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

## CHEESE MARKETS

## NORTHEAST

Prices are mixed, sharply higher on natural cheddar items, fractionally lower on process items, and unchanged on Swiss. The market tone is little changed. However, the Lenten season may bring a little more demand to certain types of cheese. Cheese output in the Northeast is steady, but some cheese makers continue to "draw the line" on cheese output. Surplus milk volumes appear to be more than ample should cheese makers wish to step up output, but with the overall weak demand, most continue to maintain or even decrease output. Cheese stocks are more than sufficient to cover current needs. Retail sales are slow to fair and contacts often comment on retail pricing being a major factor in current consumption. Food service orders are about steady.

WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.1450-1.6400
Cheddar Single Daisies	:	1.1025-1.5675
Cheddar 40# Block	:	1.2200-1.4675
Process 5# Loaf	:	1.2350-1.4350
Process 5# Sliced	:	1.2550-1.5025
Muenster	:	1.3075-1.5125
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

## MIDWEST

The cheese market is unsettled. Supplies in general continue to exceed demand. Current cheese production and inventory remain well above year ago levels at most plants. Process interest is still about steady though processors hope to see the usual early spring order improvement soon. Natural interest is spotty with buyers still trying to purchase as needed. However, most plant operators are producing non-cheddar varieties only to order so buyers need to maintain lead times. Producing and having cheese graded for eventual CCC clearance continues with product reported in the pipeline. Few operations are speculating by putting uncommitted cheddar into a planned aging program. Spot milk supplies remain readily available and many plant operators are reluctant to make spot milk purchases with cheese inventory still accumulating without it.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.2050-1.4900
Brick And/Or Muenster 5#	:	1.5200-1.7425
Cheddar 40# Block	:	1.4400-2.1150
Monterey Jack 10#	:	1.7000-2.1150
Blue 5#	:	1.8350-2.2100
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.3875-2.2150
Grade A Swiss Cuts 6 - 9#	:	1.9500-2.6850

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS  
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	:	CHEESE
		:	
03/10/03	80,383	:	145,088
03/01/03	78,736	:	144,729
CHANGE	1,647	:	359
% CHANGE	2	:	N.C.

## WEST

Natural cheese prices increased sharply after trading at the cash CME market last week. Process prices were fractionally lower and Swiss prices held steady. Western contacts were somewhat surprised by the magnitude of the increase in cheese prices last week. They generally note that production remains heavy and stocks continue to build at most warehouse locations. Increasing volumes of barrel cheese are being offered to the government price support program from a number of Western locations. Milk supplies in the region are heavy and seem to be increasing at a faster rate to an early spring flush. Weather conditions are generally good and feed supplies are adequate. Some contacts are expecting surplus milk supplies this spring to move greater distance to find plants willing and able to take additional loads of milk for processing. The price run up last week did stimulate additional spot buying interest first for blocks and later for barrels. With the pricing signal that large, many buyers decided that they really could use an extra load or two. This has had kind of a snowball effect on the market. Current blocks and barrels have tightened considerably. When buyers hear that, they want an additional load. In the short run, it may be hard to get a load from the plant specified. Cheese is still, however, available from inventoried stocks.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND  
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.1750-1.4350
Cheddar 40# Block	:	1.2125-1.3525
Cheddar 10# Cuts	:	1.3925-1.6125
Monterey Jack 10#	:	1.4025-1.5625
Grade A Swiss Cuts 6 - 9#	:	2.2400-2.3900

## FOREIGN

Prices are steady to higher. Price gains on domestic styles basically offset the losses seen last week in domestic cheese prices. The market tone is steady. Business is getting back into normal patterns, now that snow and ice storms have been absent for the past week or so. Demand for some traditional, table cheeses is improving now that Lent has started. The call for other cheese is about steady. Reports indicate that cheese output during the first eleven months of 2002 totaled 6.02 million MT, 0.9% less than the same period in 2001.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK  
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

	:	NEW YORK
VARIETY	:	IMPORTED : DOMESTIC
Roquefort	:	TFEWR : -0-
Blue	:	2.6400-3.3900 : 1.4400-2.9300*
Gorgonzola	:	3.2400-5.9400 : 1.9575-2.4900*
Parmesan (Italy)	:	TFEWR : 2.8500-2.9400*
Romano (Italy)	:	2.1000-3.1900 : -0-
Provolone (Italy)	:	3.4400-5.5000 : 1.4475-1.6750*
Romano (Cows Milk)	:	-0- : 2.6375-4.8100*
Sardo Romano (Argentina)	:	2.8500-3.2900 : -0-
Reggianito (Argentina)	:	2.6900-3.2900 : -0-
Jarlsberg-(Brand)	:	2.7500-3.6900 : -0-
Swiss Cuts Switzerland	:	-0- : 2.3500-2.5500
Swiss Cuts Finnish	:	2.5900-2.8500 : -0-
Swiss Cuts Austrian	:	TFEWR : -0-
Edam	:	:
2 Pound	:	TFEWR : -0-
4 Pound	:	2.1900-2.9900 : -0-
Gouda, Large	:	TFEWR : -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	:	27.8000-31.7000 : -0-

\* = Price change.

## FLUID MILK AND CREAM

## E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	0	0	52	0	30
SOUTHEAST STATES	0	0	0	0	0	0

Milk production trends in the Eastern part of the country are reported to have basically plateaued this week. Reports of production increases were not as prevalent during the week, with some handlers even indicating slight decreases in receipts. Weather patterns in the Northeast were typical for this time of the year versus the adverse conditions of past weeks impacting everything from farm pickups, manufacturing schedules, and distribution logistics. Milk output in Florida and other Gulf Coastal states is seasonally strong, although holding basically steady. Florida's production was in check with demand, thus no milk was reported leaving or entering the state. Class I sales and demand are quite strong in Florida as the spring break tourist season begins. With the Easter holiday late in April this year, Florida bottlers anticipate that the spring break period will be stretching out over the next 4 – 6 weeks. Many bottlers are welcoming this longer, more manageable period, versus the tighter period of past years. Condensed skim markets are holding basically steady price wise with demand not overly aggressive. Cream markets are firm with prices and pricing differentials increasing. Many buyers that were accustomed to lower prices for readily available volumes of cream in recent weeks are finding that these offerings are no longer available. Cream supplies have tightened and prices are higher. Demand for cream from Class II buyers is sharply higher as they prepare for the upcoming Easter/Passover holiday. Cream cheese production is increasing seasonally. Ice cream production is also heavier, building stocks for future needs. Churning schedules remains seasonally active, although surplus cream offerings to local and out of area butter operations have tightened.

## WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	MARCH 6 - 12	PREVIOUS YEAR
SLAUGHTER COWS	\$ 39.00- 44.00	\$ 39.50- 47.00
REPLACEMENT HEIFER CALVES	\$200.00-400.00	\$600.00-680.00

## SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	MARCH 6 - 12	PREVIOUS YEAR
SLAUGHTER COWS	\$ 38.00- 50.25	\$ 40.50- 52.00

## W E S T

The April 2003 Class 1 prices in CALIFORNIA range from \$11.63 in the north to \$11.91 in the south. The statewide average Class 1 price based on production is \$11.69. The average is \$0.25 lower than March 2003 and \$1.62 lower than April 2002. CALIFORNIA milk production levels are very heavy compared with a year ago with several processors noting intakes are 5 to 10% higher. These levels are already stretching plants and the seasonal peak is historically in May. Weather conditions have been nearly ideal for the milk cows. Bottled milk sales are steady with some disruptions occurring where schools are out on spring breaks. The spring break patterns are traditionally spotty as schedules vary. Milk continues to move out of state for processing and processors within the state are not having the time or space to handle surplus milk volumes. The costs for shipping milk are mounting as more haulers are adding or increasing fuel surcharges. Energy cost for plants are also higher for many processors in the state. Milk output in ARIZONA has leveled off this week. Normally, milk is growing, but recent rains and weather condition have impacted the trend. Milk volumes are expected to move higher as conditions improve this week. Processors are handling milk in normal channels. NEW MEXICO milk production continues to trend higher. Weather conditions are warmer and drier than in recent weeks. Milk cows are responding to the better conditions by producing more milk. Processing capacity and milk shipments have returned to normal. Western CREAM markets remain on the weak side. Cream volumes are heavy and reflect higher milk supplies and often increasing fat levels of incoming milk. Surplus cream volumes continue to end up at local churns. Demand is slowly developing from some ice cream accounts. Multiples are generally flat compared to recent weeks. Shipments within California continue to be traded at in-plant pricing. Western cream multiples range from 105 to 120, FOB, depending on class usage. Coastal areas of the PACIFIC NORTHWEST are experiencing heavy levels of moisture that are impacting some dairy herds. The impact is expected to be only for a short period of time. Localized flooding is occurring in some areas. The storms have been quite warm and have not added as much to the snow pack at higher elevations as was hoped. Therefore, water conditions for the upcoming crop year remain marginal at best. Milk production seems to be moving to spring flush levels earlier than normal. Some manufacturing operations are concerned about plant capacity levels for all the spring milk. Some expect milk to move longer distance to find a home. Hay carryover stocks are expected to be heavier than anticipated earlier in the year. Prices are holding steady with some reports of some weakness. Heifer prices in this region as well as in UTAH and IDAHO are showing declines of as much as \$200 per head since early February. Demand for heifers seems to be backing off somewhat. Contacts in the region are concerned about the early spring-like conditions that have been occurring this past week. Temperatures have hit 70 degrees in the Salt Lake basin. The concern is that this is way too early for these conditions and a late frost could really damage some crops that have broken dormancy. Future water availability is a continuing factor as growers make decisions as to what they should be planting this year. Financial stress for dairy producers remains high in the region with more exits expected over the next few weeks.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.3594-1.4464
DELIVERED EQUIVALENT ATLANTA	-	1.3594-1.4681 M 1.3920-1.4138
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.3594-1.4355

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9000- .9800
NORTHEAST- CLASS III - SPOT PRICES	- .7200- .8400

## M I D W E S T

Class I interest is steady to occasionally improved. Retail feature activity seems to be occurring more frequently in some markets. If an extra load or two of milk are needed, given sufficient time, acquiring them is not a problem with ample milk supplies available. Manufacturing milk interest remains light as offerings remain heavy and finished product sales remain far from robust. More cheese plant operators are finding it is often cheaper and easier to purchase a spot load or two when needed than to have the milk as a committed supply. Spot manufacturing milk prices, reported on a fairly light test, range from -\$0.50 to +\$0.50. Cream interest seems to have improved for more ice cream producers, perhaps stimulated by the prospect of warmer temperatures. Milk intakes are generally trending slightly higher seasonally. With milk supplies well above year ago levels through much of the region, some operators expect manufacturing plant space for holidays and at peak spring intakes to be at a premium. Fat and protein levels are around seasonal levels and drifting lower. More snow and, in some areas, mixed precipitation, again blanketed parts of the region. Drought or dry conditions persist in many states in the region. Cold temperatures also persisted with even a few record daily low temperatures recorded in the last week.



**NDM, BUTTERMILK & WHOLE MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**NONFAT DRY MILK - CENTRAL AND EAST**

CENTRAL: Prices are unchanged to lower on a steady to weak market. At some locations, buyers are resisting higher prices, encouraging some producers to reduce spot market prices. Production is higher in response to seasonal increases in milk volumes. Some condensed skim supplies are being readily diverted into end-user facilities as Class II interest increases. Most movement is occurring on a contractual basis, especially on the high heat product. Inventories are mostly in balance. Offerings are adequate for the light to fair interest. Sales to the CCC from the Central region are reported for the current week.

EAST: Eastern prices are basically unchanged on a steady to weak market. Buying interest is fair at best with most sales centering around contracted volumes. Stocks of powder are reported as heavy and Eastern producers continue to offer surplus powder to CCC. As the milk production season continues to develop, additional powder producers in the East are anticipating that they will be offering powder to the support program during upcoming weeks.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .8000 - .8600 MOSTLY: .8150 - .8475  
HIGHHEAT: .8600 - .9150

**NONFAT DRY MILK - WEST**

The Western low/medium heat NDM price range shows additional signals that producers are having difficulty holding pricing levels. Processors are gauging what price they can sell commercially compared to the costs of selling to CCC. Heavy volumes continue to be offered to the CCC from the West. Filling DEIP orders are not expected to affect the commercial market in any way, shape, or form, with the only impact being less movements into the support program. Drying schedules remain heavy to process increasing milk supplies. Increasing natural gas prices are being seen across the region. During the week of March 3 - 7, Western producers offered 14.3 million pounds of powder to the CCC. High heat prices continue to trend slightly lower as price adjustments are put in place. Additional, seasonal interest in demand is noted by several processors. Current and future order volumes are trending higher. Production levels are steady to higher. Some processors want to get more high heat on the floor to handle future needs, especially if milk volumes and drying schedules preclude high heat production.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .7850 - .8875 MOSTLY: .7950 - .8125  
HIGHHEAT: .8225 - .8450

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
March 7	\$.8041	13,258,524	7,746,413
February 28	\$.8008	15,230,245	11,694,184

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

**DRY BUTTERMILK - CENTRAL**

Prices are unchanged and nominal on a steady market. Churn activity is increasing seasonally, encouraging the production of condensed and dry buttermilk. Movement of condensed buttermilk into ice cream facilities is generally steady. Inventories of dry buttermilk are increasing at some locations. Interest is generally lackluster and producers are not aggressive in moving supplies. Some inquiries are noted as buyers speculate whether the market has bottomed. Most movement is contractually based with resale offers reported at the lower end of the range.

F.O.B. CENTRAL: .6800 - .7200

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Buttermilk powder prices are unchanged on a steady market, although the market tone is weak. Churning activity in the East is seasonally active, although lighter than past weeks as cream demand for Class II products is limiting volumes to local churns. Stocks of buttermilk powder are readily available for the fair at best demand. In instances, some producers are offering stocks at lower prices within the range to keep stocks moving with minimal results.

F.O.B. NORTHEAST: .7000 - .7300  
DELVD SOUTHEAST: .7400 - .7650

**DRY BUTTERMILK - WEST**

The dry buttermilk market in the West has seen few changes in the last few weeks and the market tone continues to be on the weak side. Supplies are available in the region from a variety of producers and resellers. The continued, heavy output of butter is placing more than anticipated volumes of buttermilk solids through the dryer. Inventory levels are adequate to heavier than trade needs.

F.O.B. WEST: .7000 - .7500 MOSTLY: .7200 - .7400

**DRY WHOLE MILK - NATIONAL**

Whole milk powder markets are generally steady at unchanged prices. Stocks of powder are reported to be readily available for the fair at best demand. Milk production continues to seasonally increase across the country, although whole milk powder production is basically in balance with demand. Overall buying interest is centered around contractual commitments with minimal volumes clearing on a spot basis.

F.O.B. PRODUCING PLANT: 1.1000 - 1.1500

**DEIP BID ACCEPTANCE SUMMARY**

JULY 1, 2002 THROUGH MARCH 7, 2003  
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	-	68,201	MT (150,355,592 LBS)
CHEESE	-	3,029	MT (6,677,733 LBS)
BUTTERFAT	-	5,000	MT (11,023,000 LBS)

Allocations for the DEIP year beginning July 1, as announced September 13: Nonfat dry milk -- 68,201 MT; Cheese -- 3,030 MT; Butterfat -- 21,097 MT. This program-year's allocations have been announced in stages. The third stage was announced on February 25, 2003, and makes available 25,575 MT of NDM, 1,136 MT of cheese, and 5,000 MT of butterfat. This announcement fills the NDM and cheese allocations for this DEIP-year.

**WHEY, CASEIN & EVAPORATED MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**DRY WHEY - CENTRAL**

Prices are unchanged to higher on a mostly steady market. While some plants are offering supplies at a premium, others are eliminating premiums in an attempt to clear excess supplies. Production is steady to higher. Supplies of condensed whey are heavy with some WPC/lactose facilities picking up additional loads available. Resale product is available at prices near the average. Traders continue to report the market as "flat." Lower prices in the West are not attractive to Central buyers due to freight charges. Spot interest is light, especially into export markets.

F.O.B. CENTRAL: .1550 - .1675 MOSTLY: .1550 - .1600

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Whey powder markets are generally steady although the market tone remains weak. Prices are unchanged. Stocks of powder are reported to be fully committed to adequate and in instances, heavier than current demand is clearing. Cheese production in the Eastern part of the country is seasonally strong as milk volumes increase. As cheese production increases, some whey handlers are speculating that marketing of increasing stocks may be challenging during upcoming weeks.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1575 - .1800  
DELVD SOUTHEAST: .1800 - .1950

**DRY WHEY - WEST**

Western whey prices range from steady to slightly weaker. Contacts are wondering if a bottom has been put in for this price cycle. The real concern is the amount of surplus milk that will be available for the next couple of months due to the upcoming spring flush. Production of powder is expected to remain heavy. Domestic demand is fair, but buyers do not expect that the market will firm anytime soon. Export orders are improving and there is a whey tender due in at the end of the week that may see some of the powder sourced from the U.S. Stock levels remain a concern at many locations.

NONHYGROSCOPIC: .1375 - .1800 MOSTLY: .1450 - .1600

**ANIMAL FEED WHEY - CENTRAL**

Prices are unchanged and nominal on a steady market. Trade interest in milk replacer and roller ground is mostly contractual. Milk replacer supplies are mostly in balance with demand. Reduced production of roller ground is encouraging good interest in current stocks. Early weaned pig demand is steady while veal trends steady to weak.

F.O.B. CENTRAL: .1375 - .1500  
MILK REPLACER: .1475 - .1825  
ROLLER GROUND: .1475 - .1825

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are unchanged on a mostly steady market. Demand is mixed with sales reported at premium and discount levels. Resale offers below the range are being met with resistance. Export interest is light with most movement reported on a contractual basis. Production is steady to higher as some plant intakes of condensed whey increase. Stocks are increasing at some locations, especially as feed interest declines. Heavy supplies of off grade 34% and 80% WPC are being reported for the light interest.

F.O.B. EXTRA GRADE 34% PROTEIN: .4900 - .5625 MOSTLY: .5100 - .5150

**LACTOSE - CENTRAL AND WEST**

Prices are unchanged on a steady to firm market. Producers are currently speculating a 1 to 2 cent price increase for the second quarter. However, buyers are well accustomed to higher priced offerings as negotiations for second quarter commence. Some producers do not anticipate having contracts finalized until after the second quarter begins. Production is steady to higher due to the increased availability of condensed whey. Supplies are generally tight with some resellers gaining premiums to the market average. Demand is best on the 200 and 100 mesh product. Some contract customers are adding additional loads onto their contracts when possible. Inquiries are heavy from the Asian market. Feed grade product is limited for the good interest.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1550 - .2350 MOSTLY: .1600 - .1800

**CASEIN - NATIONAL**

Casein markets and prices are firm. Many domestic buyers indicate that they anticipate that they will be paying higher prices during upcoming months and this perception is coming true. Oceania production is on the down side of the season with Europe just beginning their 2003 season. Buyers question supply availability out of the Oceania region as their milk production season winds down faster than anticipated. In Europe, milk production is gaining momentum and thus is casein output. At this point, European producers are pleased with their early season output and are hopeful that the trend will continue.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 1.9000 - 2.1000  
ACID: 1.8000 - 2.0500

**EVAPORATED MILK - NATIONAL**

Evaporated milk markets are generally steady at unchanged prices. Production schedules are active as milk volumes increase seasonally. Stocks of evaporated milk are low, but building as producers take advantage of available milk volumes at competitive prices. Demand continues to center around contracted volumes.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$18.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

## CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume <sup>1/</sup>

Month	02/26	02/27	02/28	03/03	03/04	03/05	03/06	03/07	03/10	03/11
<b>CME - (CLASS III) MILK FUTURES -- Dollars per cwt</b>										
FEB 03	9.65 (1836) 0	9.66 (1804) 0	9.66							
MAR 03	9.25 (2897) 61	9.11 (2908) 58	9.00 (2915) 62	9.15 (2915) 19	9.12 (2872) 0	9.12 (2894) 52	9.10 (2895) 13	9.10 (2895) 1	9.13 (2895) 0	9.13 (2905) 21
APR 03	9.55 (3792) 275	9.43 (3860) 141	9.42 (3897) 98	9.52 (3920) 32	9.55 (3968) 56	9.54 (4008) 74	9.45 (3994) 61	9.45 (3997) 8	9.42 (4030) 51	9.50 (3992) 61
MAY 03	10.05 (3536) 222	9.85 (3625) 97	9.84 (3673) 66	9.85 (3703) 46	9.94 (3745) 91	9.96 (3823) 282	9.80 (3821) 11	9.72 (3816) 28	9.73 (3826) 19	9.75 (3832) 81
JUN 03	10.36 (3247) 67	10.30 (3293) 123	10.30 (3254) 119	10.30 (3256) 67	10.39 (3391) 243	10.38 (3438) 231	10.25 (3443) 13	10.20 (3433) 6	10.21 (3433) 28	10.20 (3439) 45
JUL 03	10.70 (2747) 46	10.64 (2758) 71	10.69 (2718) 92	10.80 (2722) 69	10.85 (2723) 141	10.85 (2817) 167	10.75 (2819) 7	10.63 (2821) 15	10.63 (2839) 46	10.61 (2850) 29
AUG 03	11.05 (2357) 46	11.05 (2385) 59	11.05 (2391) 61	11.10 (2402) 53	11.11 (2440) 116	11.10 (2456) 55	11.05 (2464) 29	11.00 (2475) 14	10.95 (2542) 99	10.90 (2542) 24
SEP 03	11.48 (2533) 34	11.48 (2543) 25	11.60 (2522) 65	11.65 (2544) 90	11.66 (2554) 91	11.70 (2553) 61	11.60 (2556) 51	11.50 (2620) 72	11.40 (2640) 41	11.40 (2657) 24
OCT 03	11.42 (2097) 22	11.45 (2090) 21	11.50 (2102) 26	11.52 (2108) 20	11.60 (2138) 90	11.61 (2146) 28	11.55 (2173) 69	11.50 (2168) 10	11.50 (2190) 56	11.48 (2186) 12
NOV 03	11.46 (1513) 43	11.38 (1521) 21	11.43 (1525) 25	11.43 (1545) 12	11.48 (1526) 42	11.60 (1536) 24	11.50 (1560) 60	11.40 (1565) 8	11.40 (1565) 11	11.38 (1565) 18
DEC 03	11.16 (1267) 36	11.23 (1266) 21	11.33 (1261) 22	11.40 (1272) 26	11.43 (1278) 67	11.50 (1281) 19	11.41 (1277) 7	11.32 (1279) 4	11.32 (1279) 14	11.32 (1277) 8
JAN 04	11.20 (145) 2	11.28 (147) 3	11.28 (153) 6	11.50 (154) 2	11.60 (154) 0	11.59 (157) 3	11.59 (159) 3	11.60 (159) 0	11.60 (160) 1	11.55 (160) 0
FEB 04	11.05 (87) 1	11.05 (88) 2	11.14 (91) 4	11.30 (91) 0	11.30 (92) 1	11.40 (94) 2	11.30 (96) 2	11.40 (96) 0	11.39 (96) 5	11.30 (96) 0
MAR 04	11.10 (57) 0	11.10 (58) 1	11.20 (59) 2	11.20 (59) 0	11.20 (59) 0	11.20 (60) 1	11.10 (61) 1	11.10 (61) 0	11.10 (61) 0	11.10 (61) 0
APR 04	11.14 (52) 0	11.14 (54) 2	11.14 (54) 0	11.14 (55) 1	11.14 (55) 0	11.14 (55) 0	11.14 (56) 1	11.14 (56) 0	11.14 (56) 0	11.14 (56) 0
MAY 04	11.25 (54) 0	11.25 (55) 1	11.25 (55) 0	11.25 (55) 1	11.25 (55) 0	11.25 (55) 0	11.25 (55) 1	11.25 (55) 0	11.25 (55) 0	11.25 (55) 0
JUN 04	11.43 (47) 0	11.43 (48) 1	11.43 (48) 0	11.43 (48) 0	11.43 (48) 0	11.43 (48) 0	11.43 (49) 1	11.43 (49) 0	11.43 (49) 0	11.43 (49) 0
JUL 04	11.60 (13) 0	11.60 (14) 1	11.65 (15) 1	11.70 (15) 0	11.70 (15) 0	11.70 (15) 0	11.70 (16) 1	11.70 (16) 0	11.70 (16) 0	11.70 (16) 0
<b>CME - (CLASS IV) MILK FUTURES - Dollars per cwt</b>										
FEB 03	10.00 (37) 0	10.00 (39) 0	9.81							
MAR 03	10.15 (25) 0	10.10 (25) 0	10.00 (25) 0	10.00 (25) 0	10.00 (25) 0	10.00 (25) 0	10.00 (25) 0	10.00 (25) 0	10.00 (25) 0	10.00 (25) 0
APR 03	10.25 (14) 0	10.20 (14) 0	10.10 (14) 0	10.10 (14) 0	10.10 (14) 0	10.10 (14) 0	10.10 (14) 0	10.10 (14) 0	10.10 (14) 0	10.10 (14) 0
MAY 03	10.33 (8) 0	10.33 (8) 0	10.33 (8) 0	10.33 (8) 0	10.33 (8) 0	10.33 (8) 0	10.33 (8) 0	10.33 (8) 0	10.33 (8) 0	10.33 (8) 0
JUN 03	10.40 (5) 0	10.40 (5) 0	10.40 (5) 0	10.40 (5) 0	10.40 (5) 0	10.40 (5) 0	10.40 (5) 0	10.40 (5) 0	10.40 (5) 0	10.40 (5) 0
JUL 03	10.45 (11) 0	10.45 (11) 0	10.45 (11) 0	10.45 (11) 0	10.45 (11) 0	10.45 (11) 0	10.45 (11) 0	10.45 (11) 0	10.45 (11) 0	10.45 (11) 0
AUG 03	10.45 (5) 0	10.45 (5) 0	10.45 (5) 0	10.45 (5) 0	10.45 (5) 0	10.45 (5) 0	10.45 (5) 0	10.45 (5) 0	10.45 (5) 0	10.45 (5) 0
SEP 03	10.50 (5) 0	10.50 (5) 0	10.50 (5) 0	10.50 (5) 0	10.50 (5) 0	10.50 (5) 0	10.50 (5) 0	10.50 (5) 0	10.50 (5) 0	10.50 (5) 0
<b>CME - BUTTER FUTURES -- Cents per pound</b>										
MAR 03	108.77 (472) 0	108.77 (472) 11	109.75 (475) 5	110.00 (467) 10	109.75 (473) 1	109.50 (461) 45	109.25 (454) 20	109.00 (430) 22	109.00 (257) 12	108.50 (210) 2
MAY 03	112.20 (304) 2	112.20 (304) 7	112.22 (302) 3	114.00 (302) 0	113.50 (302) 0	113.00 (309) 15	112.50 (319) 18	112.00 (318) 2	111.50 (326) 14	111.50 (328) 3
JUL 03	115.50 (305) 7	115.52 (307) 2	115.52 (307) 0	115.52 (307) 0	115.52 (307) 0	115.52 (307) 27	115.50 (307) 8	115.25 (306) 0	115.25 (306) 2	114.75 (306) 2
SEP 03	118.75 (320) 0	118.75 (320) 0	118.75 (320) 0	118.75 (321) 6	119.50 (321) 0	119.47 (322) 1	118.50 (323) 1	118.40 (323) 2	118.40 (323) 0	118.40 (323) 0
OCT 03	120.45 (215) 0	120.45 (215) 0	120.45 (215) 0	120.45 (217) 4	120.50 (222) 5	120.97 (222) 0	120.00 (225) 4	119.72 (225) 0	119.72 (225) 0	119.50 (229) 6
DEC 03	123.95 (35) 0	123.95 (35) 0	123.95 (35) 0	123.95 (36) 1	123.50 (36) 0	123.50 (36) 0	123.25 (36) 1	122.00 (36) 0	122.00 (37) 1	122.00 (37) 0

<sup>1/</sup> At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

## INTERNATIONAL DAIRY MARKET NEWS

Information gathered March 3 - 14, 2003

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

## WESTERN AND EASTERN EUROPE

**OVERVIEW: WESTERN EUROPE:** The international market is fairly quiet, partially attributed to potential conflict concern in the Middle East. While some inquiries have been noted from the Middle East, most are simply checking availability and price. The inability to acquire the necessary insurance coverage has hampered recent interest from the Middle East. Other reports indicate that some countries in the region but outside the potential conflict area, are currently just not issuing the necessary letters of credit. A few exporters speculate that the EU may soon adjust export subsidies based on the stronger Euro, at least compared to the U.S. dollar. Milk producers in EU countries such as France have been reducing milk shipments to stay within their annual quotas and/or to minimize over-quota penalties. This has reduced many current production schedules. However, producers in other countries such as Germany and the Netherlands have no such quota problems. Shipments into intervention programs are expected to be light into April. Through March 7, producers offered 928 tons of skim milk and 2,945 tons of butter into intervention. Current milk intakes are otherwise trending higher seasonally. Exporters in the region expect to be the major source of new business due to the reduced production in Oceania and the filling of most (all but butter) DEIP GATT year quotas for the U.S. Exporters are aware that many buyers expect prices to ease lower seasonally into spring.

**BUTTER/BUTTEROIL:** The butter market is steady although prices are higher. Spot interest is light. Current production schedules remain light seasonally but growing as milk intakes increase seasonally. Extra supplies are entering private storage and/or intervention stocks on a limited basis.

82% BUTTERFAT:	1,250 - 1,295
99% BUTTERFAT:	1,550 - 1,650

**SKIM MILK POWDER (SMP):** The skim milk market is steady although reported prices are higher. Current production schedules remain light but growing seasonally. Current international demand is light. Reports indicate that some recent Algerian sales have been sourced in Poland at around \$1620 CIF. Only limited volumes of skim milk are expected to clear to intervention in March.

1.25% BUTTERFAT:	1,700 - 1,725
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**WHOLE MILK POWDER (WMP):** The whole milk market is steady although the reported prices are higher due to currency exchange rates. Current spot interest is light at current prices and export subsidies. Drying schedules are light but building seasonally.

26% BUTTERFAT:	1,700 - 1,775
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**SWEET WHEY POWDER:** The whey market is weak despite current higher reported prices. The strong Euro is the reason for higher prices rather than a stronger demand. Current demand centers on internal needs.

NONHYGROSCOPIC:	400 - 525
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**EASTERN EUROPE:** Current milk intakes are increasing seasonally but only limited quantities of product for export are being produced. Part of the recent Algerian tender results have reportedly been sourced from Poland. Producers in Poland are expecting a good spring season for milk production while others producers in other countries are less optimistic.

## OCEANIA

**OVERVIEW:** The international market for dairy products is fairly quiet with most buyers delaying activity because of concerns over the conflict in the Middle East. In general, few new spot significant sales will originate from the region due to weather reduced production this season and limited inventory for winter shipments. The stronger Australian and New Zealand dollars compared to the US dollar are another contributing factor in reported price ranges. The milk production season is trending toward the traditional seasonal end in May in New Zealand with the current product mix targeted toward products in the tightest supply/demand situation. Most producers have reduced milking schedules from twice to once per day and there are even some forecasts that many herds may dry up earlier than normal. Current supplies of exportable dairy products are limited. Spot sale activity is limited to regular accounts due to concern about having enough product in inventory to fill current orders and the usual business expected in the off-season. This contrasts to last year with large stocks available for off-season and early next season deliveries. Generally, dry weather continues in New Zealand though recent light showers have aided conditions. In Australia, recent rains have greened up pastures and lawns; even caused some localized flooding where the lack of cover and localized heavy rain combined. However, Australia remains in a sizeable moisture deficit position. Manufacturers remain concerned about being able to meet current commitments and to have adequate inventory entering the off-season. Concerns remain over the affect the drought will have on next season's production due to the extra culling, breeding, and the higher cost of feed.

**BUTTER:** The butter market is steady. Current production is geared toward filling orders and for inventory needed to meet deliveries after production ends for the season. Current churning schedules are seasonally light.

82% BUTTERFAT:	1,250 - 1,350
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**CHEDDAR CHEESE:** Cheese prices are steady to higher. Some supplies are being built for anticipated winter shipments. Current production schedules are seasonally light.

39% MAXIMUM MOISTURE:	1,750 - 1,900
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**SKIM MILK POWDER (SMP):** The skim milk market is steady. Current inventories are light and some effort is being made to build supplies for shipment later in the year. Most drying schedules are light.

1.25% BUTTERFAT:	1,700 - 1,800
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**WHOLE MILK POWDER (WMP):** The whole milk market is generally firm and spot supplies are limited. Most extra supplies are being inventoried for later shipment. Current drying schedules are seasonally light.

26% BUTTERFAT:	1,800 - 1,850
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Exchange rates for selected foreign currencies: March 10, 2003

.6825 Canadian Dollar	.0210 Indian Rupee
.3190 Argentina Peso	.5591 New Zealand Dollar
.0904 Mexican Peso	.6148 Australian Dollar
.2524 Polish Zloty	.0086 Japanese Yen
1.1058 Euro	

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0904)= 11.0619. That is 1 US Dollar equals 11.0619 Mexican Pesos.

Source: Wall Street Journal



### MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, DECEMBER 2002

In December 2002, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$11.69 per cwt., \$0.06 less than the figure for the previous month. Most of this month-to-month decrease results from lower Federal milk order minimum producer milk prices. The component tests of producer milk in December 2002 were: butterfat, 3.79%; protein, 3.09%; and other solids, 5.69%. On an individual reporting area basis, mailbox prices decreased in all reporting areas except four, and ranged from \$14.92 in Florida to \$10.37 in Utah. In December 2001, the Federal milk order all-area average mailbox price was \$13.21, \$1.52 higher.

Reporting Area	Mailbox Milk Price <u>2/</u>		
	December 2001	November 2002	December 2002
	Dollars per hundredweight		
Northeast Federal Milk Order	13.06	11.65	11.58
Appalachian States <u>3/</u>	13.57	12.58	12.45
Southeast States <u>4/</u>	13.88	13.35	12.93
Florida	15.74	15.31	14.92
Ohio	13.25	11.95	11.99
Michigan	13.04	11.56	11.61
Wisconsin	13.47	11.83	11.78
Minnesota	13.46	11.64	11.56
Illinois	13.36	11.87	11.77
Northern Missouri <u>5/</u>	13.21	12.46	12.25
Southern Missouri <u>6/</u>	12.70	11.92	11.72
Corn Belt States <u>7/</u>	13.06	11.57	11.41
Western Texas <u>8/</u>	13.27	11.99	11.95
New Mexico	12.52	10.86	11.06
Idaho	12.34	10.61	10.66
Utah	12.39	10.56	10.37
Northwest States <u>9/</u>	12.85	11.40	11.24
All Federal Order Areas <u>10/</u>	13.21	11.75	11.69
California <u>11/</u>	12.33	10.69	NA

NA= Not available.

1/ Information is shown for those areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. The price shown is the weighted average of the prices reported for all orders that received milk from the area. 2/ Net pay price received by dairy farmers for milk. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the reporting area and is reported at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments. 3/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 4/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 5/ All counties to the north of Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry. 6/ The counties listed in 5/ and all those to the south of these. 7/ Includes Iowa, Kansas, and Nebraska. 8/ All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. 9/ Includes Oregon and Washington. 10/ Weighted average of the information for all selected reporting areas in Federal milk orders. 11/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

## MARCH MILK SUPPLY AND DEMAND ESTIMATES\*

The milk production forecast for 2002/2003 is raised slightly from last month. The recent *Milk Production* report shows higher cow numbers year to date although growth in milk per cow continues to lag historical trends. However, there are indications of some faltering in the recovery in commercial use. Commercial stocks at the beginning of February remained large and are expected to continue to overhang the market. As product prices remain weak, Class prices are forecast lower than last month. The Class III price forecast is lowered to \$9.60-\$10.00 per cwt. and the Class IV price is forecast at \$9.75-\$10.35. The all milk price is expected to average \$11.10-\$11.50. Dairy price forecast incorporate changes in the Federal order minimum Class price formulas for milk marketed as of April 2003. CCC net removals are forecast higher due to weak prices and the recently announced DEIP allocations.

Item	2000/01 1/	2001/02 Estimate 1/		2002/03 Projection 1/		
		February	March	February	March	
SUPPLY	BILLION POUNDS					
BEGINNING COMMERCIAL STOCKS 2/	8.9	8.8	8.8	11.3	11.2	
PRODUCTION	165.2	168.9	169.2	170.7	171.0	
FARM USE	1.3	1.2	1.2	1.2	1.2	
MARKETINGS	163.9	167.6	167.9	169.5	169.8	
IMPORTS 2/	5.4	5.2	5.2	5.0	5.0	
TOTAL COMMERCIAL SUPPLY 2/	178.2	181.6	181.9	185.9	186.0	
USE						
COMMERCIAL USE 2/ 3/	169.2	170.0	170.4	174.1	173.3	
ENDING COMMERCIAL STOCKS 2/	8.8	11.3	11.2	10.6	11.3	
CCC NET REMOVALS:						
MILKFAT BASIS 4/	0.3	0.3	0.3	1.1	1.5	
SKIM SOLIDS BASIS 4/	6.3	9.6	9.6	6.9	8.2	
	DOLLARS PER CWT.					
MILK PRICES 5/						
CLASS III 6/	12.29	11.03	11.03	9.70-10.20	9.60-10.00	
CLASS IV 6/	13.88	11.22	11.22	9.90-10.60	9.75-10.35	
ALL MILK 7/	14.51	12.76	12.76	11.20-11.70	11.10-11.50	
	MILLION POUNDS					
CCC PRODUCT NET REMOVALS 4/						
BUTTER	0	0	0	35	45	
CHEESE	17	9	9	25	35	
NONFAT DRY MILK	525	817	817	570	675	
DRY WHOLE MILK	3	0	0	0	0	
	QUARTERLY 8/			ANNUAL 8/		
	2003 I	2003 II	2003 III	2002	2003	
	BILLION POUNDS					
	MILK PRODUCTION	43.0	44.4	42.0	169.8	171.6
	DOLLARS PER CWT.					
	ALL MILK PRICE 5/ 7/	11.35-11.55	10.50-11.00	10.70-11.50	12.12	11.10-11.70
	CLASS III PRICE 5/ 6/	9.50-9.70	9.35-9.85	9.55-10.35	10.42	9.65-10.25
CLASS IV PRICE 5/ 6/	9.75-10.05	9.45-10.05	9.65-10.55	10.81	9.70-10.40	

NOTE: Totals may not add due to rounding. 1/ Marketing year beginning October 1. 2/ Milk equivalent, milkfat basis. 3/ Includes commercial exports. 4/ Includes products exported under Dairy Export Incentive Program. 5/ Projections indicate a range of the average for the quarter or year. 6/ Federal milk order minimum prices. Beginning in April 2003, the price forecasts use the new class price formulas. 7/ Milk of average fat test. Does not reflect any deductions from producers as authorized by legislation. 8/ Calendar year basis projection.

\* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: Shayle Shagam, Chairperson, WAOB; John Mengel, AMS; Authur Coffing, FAS; James Miller, ERS; and Daniel Colacicco, FSA.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-396, World Agricultural Outlook Board, USDA, March 11, 2003.

## JANUARY FLUID MILK SALES

During January, about 4.9 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 1.4 percent higher than January 2002. After adjusting for calendar composition, sales in January 2003 were 0.8 percent higher than January 2002. On an individual product basis, after adjusting for calendar composition, sales of whole milk, reduced fat (2%) milk, low fat (1%) milk, and flavored fat-reduced milk would have likely increased from January 2002, while sales of flavored whole milk, fat-free (skim) milk, and buttermilk would have likely decreased from a year earlier.

**Editor's Note:** Some of the data also can be found at [www.ams.usda.gov/dvfm/mib/in-areales.htm](http://www.ams.usda.gov/dvfm/mib/in-areales.htm)

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,  
JANUARY 2003, WITH COMPARISONS <sup>1/</sup>

Product Name	Sales		Change from: <sup>2/</sup>		
	January	Year to Date	Previous Year	Year to Date	
	Mil. Lbs.		Percent		
Whole Milk	1,620	1,620	0.7		0.7
Flavored Whole Milk	81	81	-3.2		-3.2
Reduced Fat Milk (2%)	1,554	1,554	1.8		1.8
Low Fat Milk (1%)	558	558	2.5		2.5
Fat-Free Milk (Skim)	709	709	0.4		0.4
Flavored Fat-Reduced Milk	310	310	5.9		5.9
Buttermilk	49	49	-4.5		-4.5
Total Fluid Milk Products <sup>3/</sup>	4,887	4,887	1.4		1.4
Total Fluid Milk Products Adjusted <sup>3/ 4/</sup>	4,848	4,848	0.8		0.8

<sup>1/</sup> These figures are based on the consumption of fluid milk products in Federal milk order marketing areas and California, which represents approximately 93 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 7 percent of sales from the Federal milk order and California data. The procedure used for estimating U.S. fluid milk sales by the Agricultural Marketing Service is different from that used by the Economic Research Service (ERS) of USDA. Consequently, the year-to-date figures here may differ from the annual figures published by ERS. <sup>2/</sup> Previously, this data series showed all percent changes adjusted for calendar composition. Percent changes, as well as sales volumes, unless otherwise noted, are not shown on a calendar composition basis. See <sup>4/</sup>. <sup>3/</sup> Total fluid milk products include the products listed plus miscellaneous products and eggnog. <sup>4/</sup> Sales volumes and percent changes have been adjusted for calendar composition.

PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS  
AND CALIFORNIA, JANUARY 2003, WITH COMPARISONS <sup>1/</sup>

Area (Order Number) <sup>2/</sup>	Sales		Change from: <sup>3/</sup>		
	January	Year to Date	Previous Year	Year to Date	
	Mil. Lbs.		Percent		
Northeast (001)	841	841	0.0		0.0
Appalachian (005)	314	314	2.0		2.0
Southeast (007)	440	440	1.4		1.4
Florida (006)	260	260	1.9		1.9
Mideast (033)	574	574	3.4		3.4
Upper Midwest (030)	388	388	0.6		0.6
Central (032)	414	414	0.8		0.8
Southwest (126)	378	378	0.9		0.9
Arizona-Las Vegas (131)	117	117	5.2		5.2
Western (135)	78	78	-0.7		-0.7
Pacific Northwest (124)	190	190	-0.6		-0.6
California (---)	553	553	2.6		2.6

<sup>1/</sup> These figures are representative of the consumption of total fluid milk products. <sup>2/</sup> Individual area data are for total fluid milk products. See <sup>5/</sup> above. <sup>3/</sup> Percent changes, as well as sales volumes, **are no longer** shown on a calendar composition basis.

**SOURCE:** Monthly reports filed by milk processors subject to the provisions of the applicable Federal milk order, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF MARCH 10 - 14, 2002			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/02	SAME PERIOD LAST YEAR	WEEK ENDING 03/07/03	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	888,568	42,328	846,240	3,385,162	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	888,568	42,328	846,240	3,385,162	-0-	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	343,714	-0-	-0-	-0-
Barrel	1,457,558	-0-	1,457,558	1,940,784	-0-	-0-	-0-
Process	1,188,000	-0-	1,188,000	10,454,400	-0-	-0-	-0-
<b>TOTAL</b>	2,645,558	-0-	2,645,558	12,738,898	-0-	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	15,529,552	1,129,485	14,400,067	271,232,962	232,679,355	1,076,132,000	807,897,000
Fortified	-0-	-0-	-0-	-0-	-0-	46,391,000	46,391,000
<b>TOTAL</b>	15,529,552	1,129,485	14,400,067	271,232,962	232,679,355	1,122,523,000	854,288,000

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF MARCH 10 - 14, 2003 =	46.0	193.9	COMPARABLE PERIOD IN 2002 =	3.9	205.0
CUMULATIVE SINCE OCTOBER 1, 2002 =	251.0	3,283.7	CUMULATIVE SAME PERIOD LAST YEAR =	51.2	2,708.4
CUMULATIVE JANUARY 1 - MARCH 14, 2003 =	176.9	2,018.1	COMPARABLE CALENDAR YEAR 2002 =	34.3	1,812.5

\* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

\*\*Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF MARCH 10 - 14, 2003 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	41,600	1,188,000	1,568,270	-0-
WEST	846,240	-0-	-0-	-0-	1,415,958	-0-	11,921,483	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	910,314	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/01 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02
CENTRAL	-0-	-0-	10,496,000	-0-	8,933,784	7,896,292	39.4	3.4
WEST	3,385,162	-0-	2,242,898	-0-	255,258,536	216,774,535	60.0	93.2
EAST	-0-	-0-	-0-	-0-	7,040,642	8,008,528	0.6	3.4
<b>TOTAL</b>	3,385,162	-0-	12,738,898	-0-	271,232,962	232,679,355	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 02/22/03 & Comparable Week 2002

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1
2003-Dairy	0.2	0.7	6.7	4.2	19.7	2.7	0.3	1.0	14.9	3.1	53.5	457.1
2002-Dairy	0.2	0.7	5.6	4.8	18.6	2.4	0.5	1.1	12.9	2.5	49.3	415.0
2003-All cows	0.2	0.8	8.8	11.9	31.9	14.5	14.6	3.1	16.7	7.1	109.6	932.6
2002-All cows	0.2	0.9	7.5	13.6	29.7	14.1	14.9	3.4	14.7	5.7	104.8	873.4

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2000	10.05	9.54	9.54	9.41	9.37	9.46	10.66	10.13	10.76	10.02	8.57	9.37
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74

FEDERAL MILK ORDER CLASS PRICES FOR 2003 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	10.56	10.23	9.81									
II	11.29	10.66										
III	9.78	9.66										
IV	10.07	9.81										

1/ Specific order differentials to be added to this base price are located at [www.ams.usda.gov/dyfmoss/mib/cls\\_prod\\_cmp\\_pr.htm](http://www.ams.usda.gov/dyfmoss/mib/cls_prod_cmp_pr.htm)